

Message Text

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13/61

ACTION AGR-20

INFO OCT-01 EUR-25 EA-11 NEA-10 ISO-00 SWF-02 AID-20

CIAE-00 COME-00 EB-11 FRB-02 INR-10 NSAE-00 RSC-01

TRSE-00 XMB-07 OPIC-12 SP-03 CIEP-02 LAB-06 SIL-01

OMB-01 STR-08 DRC-01 /154 W
----- 054917

R 111755Z APR 74

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 826

INFO AMEMBASSY DACCA

AMEMBASSY ISLAMABAD

AMEMBASSY KATHMANDU

AMEMBASSY OTTAWA

AMEMBASSY CANBERRA

AMEMBASSY MOSCOW

AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

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(C O R R E C T E D C O P Y) SHOW CANBERRA AS INFO ADDEE

PASS AGRICUTRUE (FAS AND ERS)

E.O. 11652: N/A

TAGS: EAGR, IN

SUBJECT: INDIAN FOODGRAIN SITUATION

REF: A) NEW DELHI 4321 B) NEW DELHI 2560

SUMMARY - FOODGRAIN SITUATION IN INDIA REMAINS LIGHT.
FROM THE LAST OF MARCH THROUGH THE EARLY PART OF APRIL THERE
HAS BEEN SOME RAIN IN SEVERAL PARTS OF INDIA. DOMESTIC PROCUREMENT
OF RICE AND COARSE GRAINS TOTALED APPROXIMATELY 3.3 MILLION
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ONS AND 340 THOUSAND TONS RESPECTIVELY AS OF THE FIRST PART

OF APRIL. INDIA IS REPORTED TO HAVE BOUGHT AN ADDITIONAL 50,000 TONS OF WHEAT FROM AUSTRALIA. RUMORS INDICATE THAT INDIA HAS APPROACHED RUSSIA FOR SIZEABLE ADDITIONAL QUANTITIES OF WHEAT. END SUMMARY.

1. FOODGRAIN SITUATION IN INDIA REMAINS GENERALLY TIGHT. THE ELIMINATION OF MOVEMENT RESTRICTIONS ON WHEAT TRADING WITHIN STATES BY THE PRIVATE TRADE AS WELL AS ALLOWING THE PRIVATE TRADE TO MOVE WHEAT FROM ONE STATE TO ANOTHER UPON OBTAINING THE NECESSARY PERMIT (ANNOUNCED UNDER THE 1974-75 WHEAT PROCUREMENT AND PRICE POLICY) IS REPORTED TO HAVE CAUSED SLIGHT DECLINES IN WHEAT PRICES IN CERTAIN STATES. HOWEVER, WITH A RABI CROP THAT IS CURRENTLY EXPECTED TO BE SUBSTANTIALLY BELOW EARLIER EXPECTATIONS, A LOW LEVEL OF GRAIN STOCKS AND INFLATION RUNNING OVER 20 PERCENT, GRAIN PRICES APPEAR LIKELY TO CONTINUE

THEIR UPWARD TREND WITH POSSIBLY SOME SHORT TERM DECLINES.

2. WEATHER CONDITIONS WERE VERY DRY FROM EARLY JANUARY UNTIL THE END OF THE THIRD WEEK IN MARCH. FROM APPROXIMATELY MARCH 21 UP TO THE EARLY PART OF APRIL, THERE HAVE BEEN RAINS IN SEVERAL PARTS OF INDIA. THESE RAINS, HOWEVER, WERE TOO LATE TO HAVE HAD A SUBSTANTIAL EFFECT ON THE MAJOR PORTION OF THIS YEAR'S WHEAT CROP ALTHOUGH THEY SHOULD BE BENEFICIAL TO THE LATE-SOWN SPRING CROPS INCLUDING WHEAT IN NORTHERN INDIA. ALSO, THESE RAINS HAVE HELPED TO MODERATE THE SHARPLY RISING TEMPERATURES WHICH OTHERWISE COULD HAVE PROVED DETRIMENTAL TO THE RIPENING WHEAT CROP.

3. IN A FURTHER ELABORATION ON DETAILS OF THE 1974-75 WHEAT PROCUREMENT AND PRICE POLICY, GOI OFFICIALS INDICATED THAT THE ISSUE PRICE OF WHEAT FROM CENTRAL STOCKS TO THE STATE GOVERNMENTS, FAIR PRICE SHOPS AND ROLLER FLOUR MILLS WILL BE INCREASED FROM RS.90 TO RS.125 PER QUINTAL. PRICES OF RATION WHEAT AT THE FAIR PRICE SHOPS WILL BE APPROXIMATELY RS. 3- 13 HIGHER VARYING FROM STATE TO STATE DEPENDING ON THE ADDITIONAL COSTS INVOLVED. IN THE DELHI AREA THE REVISED PRICES WILL BE MADE EFFECTIVE FROM APRIL 15.

4. THE GOVERNMENT HAS YET TO FIX CEILING PRICES FOR THAT LIMITED OFFICIAL USE

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PORTION OF THE PRIVATE TRADE'S WHEAT PURCHASES WHICH THEY WILL BE ALLOWED TO SELL ON THE OPEN MARKET. THE CEILING PRICES WILL SUPPOSEDLY DEPEND ON THE ACTUAL PRICES AT WHICH WHEAT WAS BOUGHT BY THE TRADE, COST OF HANDLING, AND AS YET AN UNDETERMINED MARGIN OF PROFIT.

5. DOMESTIC PROCUREMENT OF RICE AND COARSE GRAINS BY THE GOVERNMENT CONTINUES ALTHOUGH AT RATES SUBSTANTIALLY BELOW THOSE OF LAST

NOVEMBER, DECEMBER AND JANUARY. PROCUREMENTS THROUGH THE FIRST FEW DAYS OF APRIL TOTALED APPROXIMATELY 3.3 MILLION TONS OF RICE AND 340 THOUSAND TONS OF COARSE GRAINS. PROCUREMENT OF RICE AND COARSE GRAINS WILL LIKELY CONTINUE ALTHOUGH AT INCREASINGLY DIMINISHED RATES.

6. AN OFFICIAL OF THE AUSTRALIAN HIGH COMMISSION INDICATED TO EMBOFFICER THAT INDIA HAS RECENTLY PURCHASED 50,000 TONS OF NO.2 HARD (WEATHER DAMAGED) WHEAT. THIS IS IN ADDITION TO THE 100,000 TONS OF FAQ WHEAT PURCHASED IN FEBRUARY. OFFICIAL ALSO INDICATED THAT INDIA IS CONSIDERING PURCHASING ADDITIONAL 50,000 TONS OF AUSTRALIAN OFF-GRADE WHEAT.

7. OFFICIAL OF CANADIAN HIGH COMMISSION INDICATED THAT NO SIGNIFICANT PROGRESS HAD BEEN MADE ON INDIA'S REQUEST TO CANADA FOR WHEAT ON AS FAVORABLE TERMS AS POSSIBLE. THE SAME OFFICIAL BELIEVES, HOWEVER, THAT THERE IS GOOD POSSIBILITY THAT CANADA MAY PROVIDE SOME WHEAT ON SOFT TERMS.

8. RUMOR INDICATES THAT INDIA HAS APPROACHED RUSSIA FOR POSSIBLY AN ADDITIONAL THREE MILLION TONS OF WHEAT. SUPPOSEDLY INDICATIONS GIVEN THAT THREE MILLION TONS MAY BE TOO MUCH BUT SOVIETS MAY BE WILLING TO GIVE CONSIDERATION TO TWO MILLION TONS. UNABLE TO CONFIRM RUMOR.

9. EMBOFFICER PLANNING DEPART SUNDAY FOR INTENSIVE TWO WEEK TRIP THROUGH RAJASTHAN, MADHYA PRADESH, UTTAR PRADESH, PUNJAB AND HARYANA TO BETTER ASSESS PROSPECTS FOR THIS YEAR'S RABI CROP AS WELL AS POSSIBLE EFFECTS OF NEW WHEAT PROCUREMENT POLICY. SCHNEIDER

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